

Memorandum

To: Panel Members

From: Ron Tagami, Manager
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **Agri-Cel, Inc. <100**
(www.agri-cel.com)

Date: February 27, 2003

Analyst: J. Johnson

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition
Training in High Unemployment Areas of California
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Agriculture
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 97
 - In California: 97
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union
representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$68,000
- Substantial Contribution: \$0
- Total ETP Funding: \$68,000
- In-Kind Contribution: \$55,507
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Kern
- Duration of Agreement: 24 months

SUBCONTRACTORS:

Bakersfield College, Bakersfield, California, in an amount not to exceed \$41,550, for Management Skills training;

Jesse Gomez & Associates, Bakersfield, California, in an amount not to exceed \$6,580 for Business Skills training; and

Power Machinery, Bakersfield, California, in an amount not to exceed \$1,125 for Forklift training.

THIRD PARTY SERVICES:

Applicant states consultant services have not and will not be used other than those specified in the subcontractor section of the Agreement.

NARRATIVE:

As a manufacturer, Agri-Cel, Inc. was approved eligible for funding under Title 22, California Code of Regulations, Section 4416(b), Out-of-State Competition to retrain current workers.

Founded in 1981 and located in Delano, California, Agri-Cel, Inc., manufactures polystyrene containers for use in the table grape industry. The primary ingredient used in the container manufacturing process is expandable polystyrene (EPS) which allows the containers to be shaped and molded. Most of Agri-Cel's customers are located in Fresno, Tulare, and Kern counties. These areas comprise a significant part of the California wine industry region. Other agricultural companies which produce persimmons, mushrooms, and seedlings have also begun to use the EPS containers. This small company employs 97 Californians.

Customer demands for higher quality, lower prices, and more efficient delivery schedules have precipitated this small company's action to examine current business practices and formulate strategies to meet these challenges.

The first step the company took was to invest in new technology to automate many aspects of the production lines. Following implementation, current workers were trained in the use of the new systems. The company is now requesting funding from the Panel to implement the second part of the plan which is to set in motion an initiative to move the company into a High Performance Workplace environment. Understanding the entire manufacturing process and the consequences of an inefficient operation will allow the company to make the necessary process improvements to increase its competitive edge and the over-all performance.

The company is now requesting funding from the Panel to implement the next step of the High Performance plan to retrain Production Leadpersons, Production Workers, Maintenance Leadpersons, Yard Workers, Yard Leadpersons, and Administrative Staff to improve current manufacturing processes and to enhance customer service techniques.

To achieve these goals, Agri-Cel will retrain 28 current workers in one or more of the following:

Continuous Improvement Skills, provided to frontline workers, will support Agri-Cel's new High Performance initiative. Each worker must understand the entire production process, identify problems, and make decisions to improve the process while working in a team environment.

NARRATIVE: (continued)

Business Skills to enable workers to recognize customer needs, develop skills in how to handle difficult customers, and to improve communication among internal and external customers. **Management Skills** will be provided to workers in lead person positions. For the most part, these are workers who have been promoted from within the ranks without any formal training in how to motivate, coach, and document the activities of others.

All project administration will be provided by the Contractor.

Supplemental Nature of Training

The training described in this project does not in any way duplicate training the company is currently providing or has provided in the past. In addition to government mandated training, Agri-Cel has provided classroom and hands-on training in the use of the recently purchased computerized production equipment. Further, Management Staff has received training in Communication Skills, Documentation, and Disciplinary Action Skills. The staff to receive training under this Agreement does not include Management Staff.

In the two years following this project, Agri-Cel will provide ongoing training to reinforce and update the skills learned with Panel funding.

In-Kind Contribution

The Contractor is contributing \$55,507 to this project which is comprised of wages paid to workers while in training.

COMMENTS:

All participants in this project meet the Panel definition of frontline workers under Title 22, California Code of Regulations, Section 4400(ee) (1,3).

High Unemployment Area Wage Waiver

Unemployment Insurance Code Section 10214.5(c) states in part: "The Panel may waive the minimum wage provisions pursuant to subdivision (f) of Section 10201 for projects in regions of that state where the unemployment rate is significantly higher than the state average." Delano is located in Kern County which is designated as a high unemployment area. The Contractor is requesting a wage waiver for nine production workers in Job 1. These workers are in dead-end jobs and lack the essential job skills necessary to improve their employment opportunities. With funding from the Panel, these workers will receive training which will make them more valued employees. They will learn how to perform their jobs with an understanding of how each individual fits into the process; how to provide input; and how to evaluate and make recommendations for changes in the manufacturing process.

The Contractor is requesting a waiver to the ETP minimum wage of \$10.98 per hour for Kern County. The lowest hourly wage to be earned is \$7.65 (\$8.38 with health benefits). The Contractor has agreed to increase the wages of these trainees by at least seven percent immediately following the 90-day retention period to \$8.19 per hour.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement and the wage waiver, if funding is available and the project meets Panel priorities. This recommendation is based on Agri-Cel's stated need

PROPOSED ACTION: (continued)

to provide its workers with skills to remain competitive, to ensure a continuing relationship with its customers, and to remain viable in the California economy.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Jobs 1-2 Retrainees	Continuous Improvement, Business Skills, and Management Skills	28	118-130	0	0	\$2,360-\$2,600	*\$8.92-\$36.00
						<u>Range of Hourly Wages</u> *\$8.92-\$36.00	
						<u>Prevalent Hourly Wage</u> \$9.70 per hour	
						<u>Average Cost per Trainee</u> \$2,429	
<u>Health Benefit used to meet ETP minimum wage:</u> *For this High Unemployment Area/Working Poor project, health benefits of \$.73 per hour is factored into the base wage of \$7.65 per hour for nine trainees in Job 1 for an hourly wage of \$8.38. The Working Poor ETP minimum wage for Kern County is \$8.24. Following the 90-day retention period, these nine trainees will receive at least a seven percent raise in hourly wages (exclusive of health benefits) which will increase the base hourly wage of \$7.65 to a base hourly wage of \$8.19.					<u>Turnover Rate</u> 3%	<u>% of Mgrs & Supervisors to be trained:</u> 0%	

AGRI-CEL INC.'S HIGH PERFORMANCE MENU CURRICULUM

(Trainees will receive training in one or more of the following topics)

Class/Lab

118-130 hours

***Management Skills:**

- Coaching
- Motivation
- Observation
- Documentation

Business Skills:

- Communication Skills
- Customer Relations/Identifying Needs
- Handling Difficult Customers

Continuous Improvement:

- Decision Making
- Teambuilding
- Problem Solving
- Process Improvement
- Forklift and Vehicle Operation
- Electrical/Gas Handling

*Only trainees in Lead positions will receive Management Skills training